

SEP 11 2006

**MONTANA-DAKOTA****UTILITIES CO.***A Division of MDU Resources Group, Inc.***SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION**

400 North Fourth Street
Bismarck, ND 58501
(701) 222-7900

September 8, 2006

Ms. Patricia Van Gerpen
Executive Director
South Dakota Public Utilities
Commission
State Capitol Building
500 East Capitol
Pierre, SD 57501

Re: Purchased Gas Cost Adjustment
(PGA) Docket No. _____

Dear Ms. Van Gerpen:

In accordance with South Dakota Codified Laws, Chapter 49-34A, Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., respectfully submits an original and two (2) copies of a Purchased Gas Cost Adjustment (PGA) change pursuant to the terms of Rates 88 and 89.

Attachment A is the Rate Summary Sheet (28th Revised Sheet No. 1) showing the proposed natural gas rates.

Montana-Dakota purchases gas supplies under a number of contracts. The commodity cost of gas has decreased approximately \$0.85 per dk since the last PGA filing due to a decrease in the overall market price of gas. There has also been a change in pipeline rates as shown on Attachment A. In addition, Montana-Dakota is proposing to implement an out-of-cycle surcharge adjustment to be effective October 1, 2006 due to an over recovery in the deferred gas cost account.

The Black Hills system PGA tariff sheet (Exhibit A, page 1) summarizes the gas cost adjustment, calculated pursuant to the terms of Rate 88 that will apply during the month of October 2006.

The net effect of this filing for the Black Hills system, calculated pursuant to the terms of Rate 88 with the out-of-cycle surcharge adjustment, is a decrease of \$1.240 per dk for residential and general service customers, a decrease of \$2.506 per dk for large interruptible customers and a decrease of \$0.961 per dk for the Air Force from the currently effective rates. Absent implementation of the out-of-cycle surcharge adjustment, the changes would be a decrease of \$0.826 per dk for residential and general service customers, a decrease of \$0.825 per dk for large interruptible customers and a decrease of \$0.816 per dk for the Air Force from the currently effective rates.

Exhibit B shows the calculation of the current gas cost adjustment that will be applicable to Montana-Dakota's Black Hills system customers for the month of October 2006. The

average cost of gas for firm customers, adjusted for losses, is \$6.734.

Exhibit C shows the calculation of the return on storage inventory balances and prepaid demand and commodity balances using the calculation procedure set forth in Rate 88 for the Black Hills system. The overall rate of return of 8.917% was authorized by the Commission in Docket No. NG04-004.

Exhibit E shows the calculation of the out-of-cycle surcharge adjustment for the Black Hill system that will apply during the period October 1, 2006 through April 30, 2007. This out-of-cycle surcharge adjustment is proposed as a result of an over recovery in the deferred gas cost account. A waiver of Section 4 of the PGA tariff, which specifies that the surcharge adjustment is effective May 1 of each year, is required and Montana-Dakota herewith requests such waiver. The net effect of the out-of-cycle adjustment is a decrease of \$0.414 per dk for residential and general service customers, a decrease of \$1.681 per dk for large interruptible customers and a decrease of \$0.145 per dk for the Air Force from the adjustment effective May 1, 2006.

The East River system PGA tariff sheet (Exhibit A, page 2) summarizes the gas cost level, calculated pursuant to the terms of Rate 89, that will apply during the month of October 2006. The total PGA level is \$6.646 per dk for general service customers served under the currently effective Residential Rate 66 and Firm General Service Rate 76 and \$5.673 per dk for customers on the 100% load factor rate.

The net effect of this filing for the East River system, calculated pursuant to the terms of Rate 89 with the out-of-cycle surcharge adjustment, is a decrease of \$1.101 per dk for general service customers and a decrease of \$0.825 per dk for customers on the 100% load factor rate from the currently effective rates. Absent implementation of the out-of-cycle surcharge adjustment, the changes would be a decrease of \$0.830 per dk for general service customers and a decrease of \$0.825 per dk for customers on the 100% load factor rate from currently effective rates.

Exhibit D shows the calculation of the current gas cost level that will be applicable to Montana-Dakota's East River system customers for the month of October 2006. The average cost of gas for firm customers, adjusted for losses, is \$6.802

Exhibit D, page 3 shows the calculation of the return on storage inventory balances and prepaid demand and commodity balances using the calculation procedure set forth in Rate 89 for the East River system. The overall rate of return of 8.90% was authorized by the Commission in Docket No. NG05-002.

Exhibit F shows the calculation of the out-of-cycle surcharge adjustment for the East River system that will apply during the period October 1, 2006 through April 30, 2007. This out-of-cycle surcharge adjustment is proposed as a result of an over recovery in the deferred gas cost account. A waiver of Section 4 of the PGA tariff, which specifies that the surcharge adjustment is effective May 1 of each year, is required and Montana-

Dakota herewith requests such waiver. The net effect of the out-of-cycle adjustment is a decrease of \$0.271 per dk for residential and general service customers from the adjustment effective May 1, 2006. No surcharge adjustment is proposed for the 100% load factor customers, as they did not contribute to the over recovery.

These proposed adjustments, calculated in accordance with Rates 88 and 89, will amount to a decrease of approximately \$528,900 for Black Hills system gas customers and a decrease of approximately \$45,100 for East River system gas customers during the month of October 2006. All of Montana-Dakota's retail gas customers in South Dakota may be affected by this proposal. There were 44,071 customers on the Black Hills system and 5,934 customers on the East River system as of July 31, 2006.

Please refer all inquiries regarding this filing to:

Ms. Rita A. Mulkern
Regulatory Analysis Manager
Montana-Dakota Utilities Co.
400 North Fourth Street
Bismarck, ND 58501

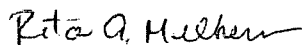
Also, please send copies of all written inquiries, correspondence and pleadings to:

Mr. Daniel S. Kuntz
Assistant General Counsel
MDU Resources Group, Inc.
P. O. Box 5650
Bismarck, ND 58506-5650

Montana-Dakota respectfully requests that this filing be accepted as being in full compliance with the filing requirements of this Commission.

Please acknowledge receipt by stamping or initialing the duplicate copy of this letter attached hereto and returning the same in the enclosed self-addressed stamped envelope.

Sincerely,



Rita A. Mulkern
Regulatory Analysis Manager

Attachments

Cc: D. Gerdes
D. Ball

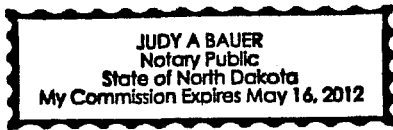
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Rita A. Mulkern, being first duly sworn, deposes and says; that she is the Regulatory Analysis Manager of Montana-Dakota Utilities Co., the Applicant herein; that she has read the foregoing Application, knows the contents thereof, and that the same is true and correct to the best of her knowledge, information and belief.

Dated this 8th day of September 2006.

Rita A. Mulkern

Subscribed and sworn to before me this 8th day of September 2006.




Judy A. Bauer, Notary Public
Burleigh County, North Dakota
My Commission Expires: 5/16/2012

OF COUNSEL:

Daniel S. Kuntz
Assistant General Counsel
MDU Resources Group, Inc.
P. O. Box 5650
Bismarck, ND 58506-5650

**Montana-Dakota Utilities Co.
Pipeline Rate Changes Since Last PGA
South Dakota**

Williston Basin Interstate Pipeline Company Docket No. RP06- 560-000

On August 31, 2006, Williston Basin filed with the FERC in Docket No. RP06-560-000 its tariff sheets reflecting the Commission-approved Annual Charge Adjustment to be effective October 1, 2006.

Approximate impact on Montana-Dakota's cost of gas – Black Hills - 0.0 cents per dk
- East River – 0.0 cents per dk

Williston Basin Interstate Pipeline Company Docket No. RP06- 542-000

On August 31, 2006, Williston Basin filed with the FERC in Docket No. RP06-542-000 its semi-annual fuel and electric power reimbursement adjustment reflecting revisions to the fuel and electric power components of Williston Basin's transportation and storage rates to be effective October 1, 2006.

Approximate impact on Montana-Dakota's cost of gas – Black Hills – 3.2 cents per dk
- East River – 3.2 cents per dk

**Rate Summary Sheet
(Proposed)**



Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
 400 N 4th Street
 Bismarck, ND 58501

**State of South Dakota
 Gas Rate Schedule - SDPUC Volume No. 2**

RATE SUMMARY SHEET

Section No. 3
 28th Revised Sheet No. 1
 Canceling 27th Revised Sheet No. 1
 Page 1 of 1

Rate Schedule	Sheet No.	Basic Service Charge	Distribution Delivery Charge	PGA Items	Total Rate/ Dk
Residential Rate 60	2	\$0.25 per day	\$1.571	\$6.352	\$7.923
Ellsworth Air Force Base Rate 64	5	\$95.00 per month	\$0.062	\$5.597	\$5.659
East River Residential Rate 66	7	\$0.15 per day	\$2.915	\$6.646	\$9.561
Firm General Service Rate 70 Meters rated < 500 cubic feet Meters rated > 500 cubic feet	11	\$0.35 per day \$0.70 per day	\$1.175	\$6.352	\$7.527
Small Interruptible Gas Rate 71	12	\$50.00 per month	(Maximum) \$0.453	\$6.352	(Maximum) \$6.805
Optional Seasonal Gas Service Rate 72 Meters rated < 500 cubic feet Meters rated > 500 cubic feet Winter Gas Usage Summer Gas Usage	13	\$0.35 per day \$0.70 per day	\$1.175 \$1.175	\$6.473 \$5.424	\$7.648 \$6.599
East River Firm General Service Rate 76 Meters rated < 500 cubic feet Meters rated > 500 cubic feet	17	\$0.25 per day \$0.50 per day	\$2.598	\$6.646	\$9.244
Transportation Service Small Interruptible Rate 81 Maximum Minimum Fuel Charge Large Interruptible Rate 82 Maximum Minimum Fuel Charge	22	\$125.00 per month	\$0.453 \$0.131	\$0.075	
		\$225.00 per month	\$0.187 \$0.090	\$0.063	
Large Interruptible Gas Rate 85	26	\$175.00 per month	(Maximum) \$0.187	\$4.242	(Maximum) \$4.429

Date Filed: September 8, 2006

Effective Date:

Issued By: Donald R. Ball
 Vice President - Regulatory Affairs

Docket No.:

MONTANA-DAKOTA UTILITIES CO.
PGA TARIFF SHEET
BLACK HILLS
EFFECTIVE OCTOBER 2006

	Residential & General Service	Optional Seasonal	Large Interruptible	Air Force
<u>Gas Cost Adjustment:</u>				
Gas Cost Level (Exhibit B)	\$6.734	\$6.855	\$5.636	\$5.573
Prior Gas Cost	<u>7.560</u>	<u>6.631</u>	<u>6.461</u>	<u>6.389</u>
Current Gas Cost Adjustment	(\$0.826)	\$0.224	(\$0.825)	(\$0.816)
<u>Surcharge Adjustment:</u>				
Current Adjustment (Exhibit D)	(0.382)	(0.382)	(1.394)	0.024
Prior Adjustment	<u>0.032</u>	<u>0.032</u>	<u>0.287</u>	<u>0.169</u>
Change in Surcharge Adjustment	<u>(\$0.414)</u>	<u>(\$0.414)</u>	<u>(\$1.681)</u>	<u>(\$0.145)</u>
Net Increase (Decrease) in Gas Costs	<u>(\$1.240)</u>	<u>(\$0.190)</u>	<u>(\$2.506)</u>	<u>(\$0.961)</u>
Gas Cost Level	\$6.734	\$6.855	\$5.636	\$5.573
Plus: Surcharge	<u>(0.382)</u>	<u>(0.382)</u>	<u>(1.394)</u>	<u>0.024</u>
Total Gas Cost Level in Tariff Rates	<u>\$6.352</u>	<u>\$6.473</u>	<u>\$4.242</u>	<u>\$5.597</u>

MONTANA-DAKOTA UTILITIES CO.
PGA TARIFF SHEET
EAST RIVER
EFFECTIVE OCTOBER 2006

	Residential & General Service	100% Load Factor
<u>Gas Cost Adjustment:</u>		
Prior Cumulative Gas Cost Adjustment	\$7.632	\$6.453
Current Gas Cost Adjustment (Exhibit D)	<u>(0.830)</u>	<u>(0.825)</u>
Cumulative Gas Cost Adjustment	\$6.802	\$5.628
<u>Surcharge Adjustment:</u>		
Current Adjustment (Exhibit E)	<u>(0.156)</u>	<u>0.045</u>
TOTAL PGA	<u>\$6.646</u>	<u>\$5.673</u>
 TOTAL PGA - September 2006	 <u>7.747</u>	 <u>6.498</u>
Net Increase (Decrease)	<u>(\$1.101)</u>	<u>(\$0.825)</u>

**MONTANA-DAKOTA UTILITIES CO.
COMPUTATION OF CURRENT GAS COST ADJUSTMENT
BLACK HILLS SYSTEM - RESIDENTIAL AND GENERAL SERVICE
EFFECTIVE OCTOBER 2006**

	<u>Amount</u>
Total Gas Costs 1/	\$35,845,641
Residential and General Service dk Requirements 2/	5,383,052
Average Cost of Gas per dk	\$6.659
Average Cost of Gas as Adjusted for Losses @ 98.88%	6.734
Less: Gas Cost Level in Base Tariff Rates 3/	<u>7.560</u>
Current Gas Cost Adjustment	<u><u>(\$0.826)</u></u>

1/ Includes all pipeline demand and commodity charges. See Exhibit B, pages 5 - 8 for Williston Basin Interstate Pipeline Company currently effective rates. Also includes a return on prepaid demand, commodity and cycle storage balances as shown on Exhibit C.

2/ Normalized dk sales for the twelve months ended July 31, 2006, adjusted for losses at 1.12%.

3/ Gas Cost Level in Rates effective September 1, 2006:

Cost of Purchased Gas	\$7.475
Adjustment for Distribution Losses	0.9888
Gas Cost Level in Base Tariff Rates	\$7.560

**MONTANA-DAKOTA UTILITIES CO.
PGA TARIFF SHEET
CURRENT GAS COST ADJUSTMENT - BLACK HILLS
OPTIONAL SEASONAL - RATE 72
EFFECTIVE OCTOBER 2006**

Summer - June - September

Total Gas Costs 1/	\$35,845,641
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Less: Annual MDDQ Costs 1/	4,939,572
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Total Gas Costs excluding MDDQ	\$30,906,069
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Firm Service Requirements 1/	5,383,052
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Other Gas Costs per Dk (excluding MDDQ)	\$5.741
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Summer Seasonal Rate, adjusted for losses 2/	5.806
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Winter - October - May

Annual MDDQ Costs 1/	\$4,939,572
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Winter Firm Service Requirements	4,765,233
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MDDQ Costs per Winter Dk	\$1.037
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Add: Other Gas Costs per Dk	5.741
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Winter Seasonal Rate	\$6.778
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Winter Seasonal Rate, adjusted for losses 2/	\$6.855
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Less: Gas Cost Level in Rates 3/	6.631
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Current Gas Cost Adjustment	\$0.224
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1/ Exhibit B, page 1.

2/ Loss factor of 1.12%

3/ Gas Cost Level in Rates effective September 1, 2006:

	Summer	Winter
Cost of Purchased Gas	\$6.557	\$7.594
Adjustment for Distribution Losses	0.9888	0.9888
Gas Cost Level in Base Tariff Rates	\$6.631	\$7.680

**MONTANA-DAKOTA UTILITIES CO.
COMPUTATION OF CURRENT GAS COST ADJUSTMENT
BLACK HILLS SYSTEM - LARGE INTERRUPTIBLE
EFFECTIVE OCTOBER 2006**

	<u>Amount</u>
Total Gas Costs 1/	\$3,459,403
Large Interruptible Service dk Requirements	620,692
Average Cost of Gas per dk	\$5.573
Average Cost of Gas as Adjusted for Losses @ 98.88%	5.636
Less: Gas Cost Level in Base Tariff Rates 2/	<u>6.461</u>
Current Gas Cost Adjustment	<u><u>(\$0.825)</u></u>

1/ Includes all pipeline demand and commodity charges. See Exhibit B, pages 5 - 8 for Williston Basin Interstate Pipeline Company currently effective rates. Also includes a return on prepaid demand, commodity and cycle storage balances as shown on Exhibit C, allocated to interruptible on MDDQ.

2/ Gas Cost Level in Rates effective September 1, 2006:

Cost of Purchased Gas	\$6.389
Adjustment for Distribution Losses	0.9888
Gas Cost Level in Base Tariff Rates	\$6.461

**MONTANA-DAKOTA UTILITIES CO.
COMPUTATION OF CURRENT GAS COST ADJUSTMENT
BLACK HILLS SYSTEM - AIR FORCE
EFFECTIVE OCTOBER 2006**

	<u>Amount</u>
Total Gas Costs 1/	\$4,179,998
Air Force Interruptible Service dk Requirements	750,000
Average Cost of Gas per dk	\$5.573
Less: Gas Cost Level in Base Tariff Rates 2/	<u>6.389</u>
Current Gas Cost Adjustment	<u><u>(\$0.816)</u></u>

1/ Includes all pipeline demand and commodity charges. See Exhibit B, pages 5 - 8 for Williston Basin Interstate Pipeline Company currently effective rates. Also includes a return on prepaid demand, commodity and cycle storage balances as shown on Exhibit C, allocated to the Air Force on MDDQ.

2/ Gas Cost Level in Rates effective September 1, 2006:

Cost of Purchased Gas	\$6.389
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NOTICE OF CURRENTLY EFFECTIVE RATES

(ALL RATES ARE STATED IN CENTS PER DEKATHERM OR EQUIVALENT DEKATHERM AS INDICATED)

RATE SCHEDULE	UNIT	BASE TARIFF RATE	ACA SURCHARGE	TOP THROUGHPUT SURCHARGE	GAS SUPPLY REALIGNMENT SURCHARGE	BASE TARIFF RATE PLUS SURCHARGES
RATE SCHEDULE FT-1						
RESERVATION CHARGE						
MAXIMUM DAILY DELIVERY QUANTITY (MDDQ)						
MAXIMUM	RATE PER EQV. DKT PER MO.	737.928	N.A.	N.A.	N.A.	737.928
MINIMUM	RATE PER EQV. DKT PER MO.	0.000	N.A.	N.A.	N.A.	0.000
COMMODITY CHARGE						
MAXIMUM A/B/	RATE PER DKT	3.120	0.160	N.A.	N.A.	3.280
MINIMUM A/B/	RATE PER DKT	3.120	0.160	N.A.	N.A.	3.280
SCHEDULED OVERRUN CHARGE						
MAXIMUM A/B/	RATE PER DKT	30.884	0.160	N.A.	N.A.	31.044
MINIMUM A/B/	RATE PER DKT	3.120	0.160	N.A.	N.A.	3.280

- A/ SHIPPER MUST REIMBURSE TRANSPORTER IN-KIND FOR TRANSPORTATION FUEL USE, LOST AND UNACCOUNTED FOR GAS. THE APPLICABLE PERCENTAGE IS 1.795%, CONSISTING OF 2.200% FOR THE CURRENT PERCENTAGE AND (0.405)% FOR THE DEFERRAL PERCENTAGE. THIS PERCENTAGE SHALL BE APPLIED TO THE APPLICABLE QUANTITIES OF GAS TENDERED TO TRANSPORTER FOR SHIPPER'S ACCOUNT AT THE RECEIPT POINT(S) INTO TRANSPORTER'S TRANSMISSION FACILITIES.
- B/ SHIPPER MUST REIMBURSE TRANSPORTER FOR ELECTRIC POWER USED FOR TRANSPORTATION. THE APPLICABLE RATE IS 0.191 CENTS, CONSISTING OF 0.172 CENTS FOR THE CURRENT RATE AND 0.019 CENTS FOR THE DEFERRAL RATE. THIS RATE SHALL BE APPLIED TO THE APPLICABLE QUANTITIES OF GAS TENDERED TO TRANSPORTER FOR SHIPPER'S ACCOUNT AT THE RECEIPT POINT(S) INTO TRANSPORTER'S TRANSMISSION FACILITIES.

NOTICE OF CURRENTLY EFFECTIVE RATES

(ALL RATES ARE STATED IN CENTS PER DEKATHERM OR EQUIVALENT DEKATHERM AS INDICATED)

RATE SCHEDULE	UNIT	BASE TARIFF RATE	ACA SURCHARGE	TOP THROUGHPUT SURCHARGE	GAS SUPPLY REALIGNMENT SURCHARGE	BASE TARIFF RATE PLUS SURCHARGES
RATE SCHEDULE FT-1 CONTINUED						
FIRM GATHERING CHARGE						
MAXIMUM DAILY DELIVERY QUANTITY (MDDQ)						
MAXIMUM	RATE PER EQV. DKT PER MO.	1229.809	N.A.	N.A.	N.A.	1229.809
MINIMUM	RATE PER EQV. DKT PER MO.	0.000	N.A.	N.A.	N.A.	0.000
COMMODITY GATHERING CHARGE						
MAXIMUM A/B/	RATE PER DKT	1.384	N.A.	N.A.	N.A.	1.384
MINIMUM A/B/	RATE PER DKT	1.384	N.A.	N.A.	N.A.	1.384
INTERRUPTIBLE GATHERING CHARGE						
MAXIMUM A/B/	RATE PER DKT	43.807	N.A.	N.A.	N.A.	43.807
MINIMUM A/B/	RATE PER DKT	1.384	N.A.	N.A.	N.A.	1.384

- A/ SHIPPER MUST REIMBURSE TRANSPORTER IN-KIND FOR GATHERING FUEL USE, LOST AND UNACCOUNTED FOR GAS. THE APPLICABLE PERCENTAGE IS 3.088%, CONSISTING OF 3.087% FOR THE CURRENT PERCENTAGE AND 0.001% FOR THE DEFERRAL PERCENTAGE. THIS PERCENTAGE SHALL BE APPLIED TO THE APPLICABLE QUANTITIES OF GAS TENDERED TO TRANSPORTER FOR SHIPPER'S ACCOUNT AT THE RECEIPT POINT(S) INTO TRANSPORTER'S GATHERING FACILITIES.
- B/ SHIPPER MUST REIMBURSE TRANSPORTER FOR ELECTRIC POWER USED FOR GATHERING. THE APPLICABLE RATE IS 0.626 CENTS, CONSISTING OF 0.626 CENTS FOR THE CURRENT RATE AND 0.000 CENTS FOR THE DEFERRAL RATE. THIS RATE SHALL BE APPLIED TO THE APPLICABLE QUANTITIES OF GAS TENDERED TO TRANSPORTER FOR SHIPPER'S ACCOUNT AT THE RECEIPT POINT(S) INTO TRANSPORTER'S GATHERING FACILITIES.

NOTICE OF CURRENTLY EFFECTIVE RATES

(ALL RATES ARE STATED IN CENTS PER DEKATHERM OR EQUIVALENT DEKATHERM AS INDICATED)

		BASE TARIFF	ACA	TOP	GAS SUPPLY	BASE TARIFF
		RATE	SURCHARGE	THROUGHPUT	REALIGNMENT	RATE PLUS
RATE SCHEDULE	UNIT			SURCHARGE	SURCHARGE	SURCHARGES

RATE SCHEDULE FTN-1						

RESERVATION CHARGE						
MAXIMUM DAILY DELIVERY QUANTITY (MDDQ)						
MAXIMUM	RATE PER EQV. DKT PER MO.	47.491	N.A.	N.A.	N.A.	47.491
MINIMUM	RATE PER EQV. DKT PER MO.	1.589	N.A.	N.A.	N.A.	1.589

Issued by: Keith A. Tiggelaar - Director of Regulatory Affairs
Issued on: May 19, 2005
Effective on: April 19, 2005
Filed to comply with order of the Federal Energy Regulatory Commission, Docket No. RP00-107, et al., issued April 19, 2005

NOTICE OF CURRENTLY EFFECTIVE RATES

(ALL RATES ARE STATED IN CENTS PER DEKATHERM OR EQUIVALENT DEKATHERM AS INDICATED)

RATE SCHEDULE	UNIT	BASE TARIFF RATE	ACA SURCHARGE	TOP THROUGHPUT SURCHARGE	GAS SUPPLY REALIGNMENT SURCHARGE	BASE TARIFF RATE PLUS SURCHARGES
RATE SCHEDULE FS-1						
CAPACITY RESERVATION						
MAXIMUM	RATE PER EQV. DKT PER MO.	2.102	N.A.	N.A.	N.A.	2.102
MINIMUM	RATE PER EQV. DKT PER MO.	0.000	N.A.	N.A.	N.A.	0.000
CAPACITY DELIVERABILITY						
MAXIMUM	RATE PER EQV. DKT PER MO.	190.602	N.A.	N.A.	N.A.	190.602
MINIMUM	RATE PER EQV. DKT PER MO.	0.000	N.A.	N.A.	N.A.	0.000
INJECTION						
MAXIMUM A/B/	RATE PER DKT	0.888	N.A.	N.A.	N.A.	0.888
MINIMUM A/B/	RATE PER DKT	0.888	N.A.	N.A.	N.A.	0.888
WITHDRAWAL						
MAXIMUM A/B/	RATE PER DKT	0.888	N.A.	N.A.	N.A.	0.888
MINIMUM A/B/	RATE PER DKT	0.888	N.A.	N.A.	N.A.	0.888
SCHEDULED OVERRUN CHARGE						
INJECTION						
MAXIMUM A/B/	RATE PER DKT	23.920	N.A.	N.A.	N.A.	23.920
MINIMUM A/B/	RATE PER DKT	0.888	N.A.	N.A.	N.A.	0.888
WITHDRAWAL						
MAXIMUM A/B/	RATE PER DKT	23.920	N.A.	N.A.	N.A.	23.920
MINIMUM A/B/	RATE PER DKT	0.888	N.A.	N.A.	N.A.	0.888

A/ SHIPPER MUST REIMBURSE TRANSPORTER IN-KIND FOR STORAGE FUEL USE, LOST AND UNACCOUNTED FOR GAS. THE APPLICABLE PERCENTAGE IS 0.705%, CONSISTING OF 0.816% FOR THE CURRENT PERCENTAGE AND (0.111)% FOR THE DEFERRAL PERCENTAGE. THIS PERCENTAGE SHALL BE APPLIED TO THE APPLICABLE QUANTITIES OF GAS INJECTED AND/OR WITHDRAWN BY TRANSPORTER FOR SHIPPER'S ACCOUNT AT TRANSPORTER'S STORAGE FACILITIES.

B/ SHIPPER MUST REIMBURSE TRANSPORTER FOR ELECTRIC POWER USED FOR STORAGE. THE APPLICABLE RATE IS 0.025 CENTS, CONSISTING OF 0.019 CENTS FOR THE CURRENT RATE AND 0.006 CENTS FOR THE DEFERRAL RATE. THIS RATE SHALL BE APPLIED TO THE APPLICABLE QUANTITIES OF GAS INJECTED AND/OR WITHDRAWN BY TRANSPORTER FOR SHIPPER'S ACCOUNT AT TRANSPORTER'S STORAGE FACILITIES.

**MONTANA-DAKOTA UTILITIES CO.
RETURN ON CYCLE STORAGE BALANCES
AND PREPAID DEMAND AND COMMODITY BALANCES
BLACK HILLS
EFFECTIVE OCTOBER 2006**

	General Service		
	Storage Balance 1/	Prepaid Commodity Balance 2/	Prepaid Demand
October 2005	\$8,287,182	\$465,406	\$1,237,530
November	7,246,641	418,653	986,573
December	4,106,921	291,476	476,590
January 2006	2,119,841	186,497	(92,332)
February	(1,175,958)	79,633	(435,856)
March	(3,102,923)	11,801	(685,103)
April	(2,299,505)	6,792	(662,453)
May	(33,915)	42,533	(410,480)
June	2,211,287	72,630	(18,404)
July	4,663,396	110,711	403,570
August	6,400,693	112,642	825,242
September	7,494,265	334,695	1,165,514
October	7,496,897	324,662	1,269,348
13 month average	\$3,339,602	\$189,087	\$312,288
Rate of Return	8.917%	8.917%	8.917%
Return	\$297,792	\$16,861	\$27,847
Return Requirement - Revenue	<u>\$458,830</u>	<u>\$25,979</u>	<u>\$42,906</u>

1/ Monthly balance from SENDOUT Model, allocated to the Black Hills system on the ratio of storage capacity MDDQ.

2/ Monthly balance allocated to the Black Hills system based on sales volumes.

**MONTANA-DAKOTA UTILITIES CO.
COMPUTATION OF CURRENT GAS COST ADJUSTMENT
EAST RIVER- GENERAL SERVICE
EFFECTIVE OCTOBER 2006**

	<u>Amount</u>
Total Gas Costs 1/	\$4,797,344
Residential and General Service dk Requirements 2/	712,383
Average Cost of Gas per dk	\$6.734
Average Cost of Gas as Adjusted for Losses @ 99%	6.802
Less: Gas Cost Level in Base Tariff Rates 3/	<u>0.000</u>
Cumulative Gas Cost Adjustment	\$6.802
Less: Prior Cumulative Adjustment (PGA effective September 1, 2006)	<u>7.632</u>
Current Gas Cost Adjustment	<u><u>(\$0.830)</u></u>

1/ Includes all pipeline demand and commodity charges. See Exhibit B, pages 5 - 8 for Williston Basin Interstate Pipeline Company currently effective rates. Also includes a return on prepaid demand, commodity and cycle storage balances as shown on Exhibit D, page 3.

2/ Normalized dk sales for the twelve months ended July 31, 2006, adjusted for losses at 1%.

3/ Docket No. NG05-002.

**MONTANA-DAKOTA UTILITIES CO.
COMPUTATION OF CURRENT GAS COST ADJUSTMENT
EAST RIVER - 100% LOAD FACTOR
EFFECTIVE OCTOBER 2006**

	<u>Amount</u>
Total Gas Costs 1/	\$2,786,049
Dk Requirements	500,000
Average Cost of Gas per dk	\$5.572
Average Cost of Gas as Adjusted for Losses @ 99%	5.628
Less: Gas Cost Level in Base Tariff Rates	<u>0.000</u>
Cumulative Gas Cost Adjustment	\$5.628
Less: Prior Cumulative Adjustment (PGA effective September 1, 2006)	<u>6.453</u>
Current Gas Cost Adjustment	<u><u>(\$0.825)</u></u>

1/ Includes all pipeline demand and commodity charges. See Exhibit B, pages 5 - 8 for Williston Basin Interstate Pipeline Company currently effective rates. Also includes a return on prepaid demand, commodity and cycle storage balances as shown on Exhibit D, page 3, allocated on MDDQ.

**MONTANA-DAKOTA UTILITIES CO.
RETURN ON CYCLE STORAGE BALANCES
AND PREPAID DEMAND AND COMMODITY BALANCES
EAST RIVER
EFFECTIVE OCTOBER 2006**

	General Service		
	Storage	Prepaid	Prepaid
	Balance 1/	Commodity	Demand
	Balance 2/	Balance 2/	
October 2005	\$1,176,722	\$48,537	\$198,371
November	1,028,972	42,778	160,870
December	583,154	28,292	72,193
January 2006	295,778	17,503	(25,950)
February	(164,083)	4,911	(86,431)
March	(432,952)	(3,071)	(123,208)
April	(320,855)	(3,529)	(109,637)
May	(4,732)	7,056	(62,708)
June	308,530	10,544	(2,731)
July	650,662	14,797	59,605
August	893,048	14,907	124,808
September	1,045,627	44,293	185,118
October	1,045,994	42,965	209,718
13 month average	\$469,682	\$20,768	\$46,155
Rate of Return	8.900%	8.900%	8.900%
Return	\$41,802	\$1,848	\$4,108
Return Requirement - Revenue	<u>\$64,407</u>	<u>\$2,847</u>	<u>\$6,329</u>

1/ Monthly balance from SENDOUT Model, allocated to East River on ratio of storage capacity MDDQ.

2/ Monthly balance allocated to East River based on sales volumes.

**MONTANA-DAKOTA UTILITIES CO.
COMPUTATION OF (OVER) / UNDER RECOVERED GAS COST ADJUSTMENT
APPLICABLE TO SOUTH DAKOTA
FIRM
TO BE EFFECTIVE OCTOBER 1, 2006 THROUGH APRIL 30, 2007**

(Over)/under recovered gas costs @ July 31, 2006 (\$1,817,738)

Less: Projected recovery from rates already established

	<u>Volume</u>	<u>Rate</u>	<u>Amount</u>
August	124,450	\$0.032	3,982
September	190,710	0.032	6,103
	<u>315,160</u>		<u>10,085</u>

Additional recovery required (\$1,827,823)

Projected sales volumes (dk)

October	383,171	
November	677,790	
December	896,940	
January 2007	948,290	
February	757,760	
March	671,470	
April	443,460	
Total		<u>4,778,881</u>

Total (over)/under recovered gas cost adjustment
to be effective October 1, 2006 through April 30, 2007 (\$0.382)

**MONTANA-DAKOTA UTILITIES CO.
COMPUTATION OF (OVER)/UNDER RECOVERED GAS COST ADJUSTMENT
APPLICABLE TO SOUTH DAKOTA
INTERRUPTIBLE
TO BE EFFECTIVE OCTOBER 1, 2006 THROUGH APRIL 30, 2007**

(Over)/under recovered gas costs @ July 31, 2006 (\$83,143)

Less: Projected recovery from rates already established

	<u>Volume</u>	<u>Rate</u>	<u>Amount</u>
August	4,330	\$0.287	1,243
September	4,840	0.287	1,389
	<u>9,170</u>		<u>2,632</u>

Additional recovery required (\$85,775)

Projected sales volumes (dk)

October	6,674	
November	9,160	
December	10,000	
January 2007	11,040	
February	8,470	
March	9,140	
April	7,030	
Total		<u>61,514</u>

Total (over) / under recovered gas cost adjustment
to be effective October 1, 2006 through April 30, 2007 (\$1.394)

**MONTANA-DAKOTA UTILITIES CO.
COMPUTATION OF (OVER)/UNDER RECOVERED GAS COST ADJUSTMENT
APPLICABLE TO SOUTH DAKOTA
AIR FORCE
TO BE EFFECTIVE OCTOBER 1, 2006 THROUGH APRIL 30, 2007**

(Over)/under recovered gas costs @ July 31, 2006 \$16,179

Less: Projected recovery from rates already established

	<u>Volume</u>	<u>Rate</u>	<u>Amount</u>
August	12,100	\$0.169	2,045
September	19,020	0.169	3,214
	<u>31,120</u>		<u>5,259</u>

Additional recovery required \$10,920

Projected sales volumes (dk)

October	38,590	
November	67,970	
December	78,760	
January 2007	89,300	
February	64,960	
March	66,560	
April	43,860	
Total		<u>450,000</u>

Total (over) / under recovered gas cost adjustment
to be effective October 1, 2006 through April 30, 2007 \$0.024

MONTANA-DAKOTA UTILITIES CO.
COMPUTATION OF (OVER) / UNDER RECOVERED GAS COST ACCOUNT BALANCE
APPLICABLE TO SOUTH DAKOTA
FIRM

	(Over) Under Recovery	Refunds & Other	Interest 1/	Total Net Additions	Actual Dk Sales	Adjustment Per Dk	Total Adjustment Amount	Net Change- Additions less Adjustment	Cumulative Balance
Balance @ February 28, 2006									<u>\$20,964</u>
March	\$83,645	\$0	\$52	\$83,697	752,249	(\$0.145)	(\$109,076)	\$192,773	213,737
April	93,647	0	558	94,205	501,361	(0.145)	(72,698)	166,903	380,640
May	(470,104)	0	1,016	(469,088)	314,287	0.032	8,628 2/	(477,716)	(97,076)
June	(874,522)	0	(244)	(874,766)	164,111	0.032	5,252	(880,018)	(977,094)
July	(832,847)	0	(4,113)	(836,960)	115,119	0.032	3,684	(840,644)	(1,817,738)
Balance @ July 31, 2006									<u>(\$1,817,738)</u>

1/ Interest calculated at 90 day Treasury Note rate.

2/ Reflects 306,213 dk @ \$0.032 and 8,074 dk @ (\$0.145).

**MONTANA-DAKOTA UTILITIES CO.
COMPUTATION OF (OVER) / UNDER RECOVERED GAS COST ACCOUNT BALANCE
APPLICABLE TO SOUTH DAKOTA
INTERRUPTIBLE**

	<u>(Over) Under Recovery</u>	<u>Refunds & Other</u>	<u>Interest 1/</u>	<u>Total Net Additions</u>	<u>Actual Dk Sales</u>	<u>Adjustment Per Dk</u>	<u>Total Adjustment Amount</u>	<u>Net Change- Additions less Adjustment</u>	<u>Cumulative Balance</u>
Balance @ February 28, 2006									<u>\$31,584</u>
March	(\$1,918)	\$0	\$75	(\$1,843)	10,352	\$0.445	\$4,607	(\$6,450)	25,134
April	(11,166)	0	60	(11,106)	8,236	0.445	3,665	(14,771)	10,363
May	(21,495)	0	23	(21,472)	5,896	0.287	1,692	(23,164)	(12,801)
June	(39,232)	0	(38)	(39,270)	4,870	0.287	1,398	(40,668)	(53,469)
July	(28,308)	0	(232)	(28,540)	3,951	0.287	1,134	(29,674)	(83,143)
Balance @ July 31, 2006									<u>(\$83,143)</u>

1/ Interest calculated at 90 day Treasury Note rate.

MONTANA-DAKOTA UTILITIES CO.
COMPUTATION OF (OVER) / UNDER RECOVERED GAS COST ACCOUNT BALANCE
APPLICABLE TO SOUTH DAKOTA
AIR FORCE

	<u>(Over) Under Recovery</u>	<u>Refunds & Other</u>	<u>Interest 1/</u>	<u>Total Net Additions</u>	<u>Actual Dk Sales</u>	<u>Adjustment Per Dk</u>	<u>Total Adjustment Amount</u>	<u>Net Change- Additions less Adjustment</u>	<u>Cumulative Balance</u>
Balance @ February 28, 2006									<u>\$98,143</u>
March	\$32,809	\$0	\$240	\$33,049	72,642	\$0.074	\$5,376	\$27,673	125,816
April	54,693	0	315	55,008	67,908	0.074	5,025	49,983	175,799
May	(30,506)	0	454	(30,052)	37,953	0.169	6,414	(36,466)	139,333
June	(72,699)	0	364	(72,335)	20,200	0.169	3,414	(75,749)	63,584
July	(46,553)	0	256	(46,297)	6,553	0.169	1,108	(47,405)	16,179
Balance @ July 31, 2006									<u>\$16,179</u>

1/ Interest calculated at 90 day Treasury Note rate.

MONTANA-DAKOTA UTILITIES CO.
COMPUTATION OF (OVER) UNDER RECOVERY OF GAS COSTS
APPLICABLE TO SOUTH DAKOTA
FIRM

	<u>Dk</u>	<u>Amount</u>	<u>Cost per Dk</u>
MARCH 2006-FEBRUARY UNBILLED			
Purchased gas	719,151	\$6,623,060	\$9.20955
Base cost of gas			8.86200
(Over) Under recovery per dk			0.34755
dk billed			500,407
(Over) Under recovery			\$175,778
MARCH 2006			
Purchased gas	632,486	\$5,429,077	\$8.58371
Base cost of gas			8.86200
(Over) Under recovery per dk			(0.27829)
dk billed			238,155
(Over) Under recovery			(\$66,288)
MARCH 2006-FEBRUARY BILLED			
Purchased gas	632,486	\$5,429,077	\$8.58371
Base cost of gas			10.47200
(Over) Under recovery per dk			(1.88829)
dk billed			13,687
(Over) Under recovery			(\$25,845)
APRIL 2006-MARCH UNBILLED			
Purchased gas	632,486	\$5,429,077	\$8.58371
Base cost of gas			7.88300
(Over) Under recovery per dk			0.70071
dk billed			381,637
(Over) Under recovery			\$269,376
APRIL 2006			
Purchased gas	333,411	\$2,277,478	\$6.83084
Base cost of gas			7.88300
(Over) Under recovery per dk			(1.05216)
dk billed			68,759
(Over) Under recovery			(\$72,210)
APRIL 2006-MARCH BILLED			
Purchased gas	333,411	\$2,277,478	\$6.83084
Base cost of gas			8.86200
(Over) Under recovery per dk			(2.03116)
dk billed			50,965
(Over) Under recovery			(\$103,519)
MAY 2006-APRIL UNBILLED			
Purchased gas	333,411	\$2,277,478	\$6.83084
Base cost of gas			7.40800
(Over) Under recovery per dk			(0.57716)
dk billed			214,211
(Over) Under recovery			(\$122,407)

MONTANA-DAKOTA UTILITIES CO.
COMPUTATION OF (OVER) UNDER RECOVERY OF GAS COSTS
APPLICABLE TO SOUTH DAKOTA
FIRM

	<u>Dk</u>	<u>Amount</u>	<u>Cost per Dk</u>
MAY 2006			
Purchased gas	195,719	\$777,403	\$3.97204
Base cost of gas			7.40800
(Over) Under recovery per dk			(3.43596)
dk billed			92,002
(Over) Under recovery			(\$316,121)
MAY 2006-APRIL BILLED			
Purchased gas	195,719	\$777,403	\$3.97204
Base cost of gas			7.88300
(Over) Under recovery per dk			(3.91096)
dk billed			8,074
(Over) Under recovery			(\$31,576)
JUNE 2006-MAY UNBILLED			
Purchased gas	195,719	\$777,403	\$3.97204
Base cost of gas			7.40800
(Over) Under recovery per dk			(3.43596)
dk billed			95,969
(Over) Under recovery			(\$328,462)
JUNE 2006			
Purchased gas	118,818	(\$71,944)	(\$0.60550)
Base cost of gas			7.40800
(Over) Under recovery per dk			(8.01350)
dk billed			62,103
(Over) Under recovery			(\$497,665)
JUNE 2006-MAY BILLED			
Purchased gas	118,818	(\$71,944)	(\$0.60550)
Base cost of gas			7.40800
(Over) Under recovery per dk			(8.01350)
dk billed			6,039
(Over) Under recovery			(\$48,395)
JULY 2006-JUNE UNBILLED			
Purchased gas	118,818	(\$71,944)	(\$0.60550)
Base cost of gas			6.53400
(Over) Under recovery per dk			(7.13950)
dk billed			50,919
(Over) Under recovery			(\$362,416)
JULY 2006			
Purchased gas	109,354	(\$76,859)	(\$0.70285)
Base cost of gas			6.53400
(Over) Under recovery per dk			(7.23685)
dk billed			57,543
(Over) Under recovery			(\$416,438)

MONTANA-DAKOTA UTILITIES CO.
COMPUTATION OF (OVER) UNDER RECOVERY OF GAS COSTS
APPLICABLE TO SOUTH DAKOTA
FIRM

	<u>Dk</u>	<u>Amount</u>	<u>Cost per Dk</u>
JULY 2006-JUNE BILLED			
Purchased gas	109,354	(\$76,859)	(\$0.70285)
Base cost of gas			7.40800
(Over) Under recovery per dk			(8.11085)
dk billed			6,657
(Over) Under recovery			(\$53,993)

MONTANA-DAKOTA UTILITIES CO.
COMPUTATION OF (OVER) UNDER RECOVERY OF GAS COSTS
APPLICABLE TO SOUTH DAKOTA
INTERRUPTIBLE

	<u>Dk</u>	<u>Amount</u>	<u>Cost per Dk</u>
MARCH 2006-FEBRUARY UNBILLED			
Purchased gas	9,145	\$75,198	\$8.22285
Base cost of gas			7.79900
(Over) Under recovery per dk			0.42385
dk billed			594
(Over) Under recovery			\$252
MARCH 2006			
Purchased gas	9,734	\$73,151	\$7.57664
Base cost of gas			7.79900
(Over) Under recovery per dk			(0.22236)
dk billed			9,758
(Over) Under recovery			(\$2,170)
APRIL 2006			
Purchased gas	8,215	\$44,930	\$5.46926
Base cost of gas			6.82500
(Over) Under recovery per dk			(1.35574)
dk billed			8,236
(Over) Under recovery			(\$11,166)
MAY 2006			
Purchased gas	5,881	\$15,763	\$2.68033
Base cost of gas			6.32600
(Over) Under recovery per dk			(3.64567)
dk billed			5,896
(Over) Under recovery			(\$21,495)
JUNE 2006			
Purchased gas	4,858	(\$8,403)	(\$1.72972)
Base cost of gas			6.32600
(Over) Under recovery per dk			(8.05572)
dk billed			4,870
(Over) Under recovery			(\$39,232)
JULY 2006			
Purchased gas	3,940	(\$6,752)	(\$1.71371)
Base cost of gas			5.45200
(Over) Under recovery per dk			(7.16571)
dk billed			3,951
(Over) Under recovery			(\$28,308)

MONTANA-DAKOTA UTILITIES CO.
COMPUTATION OF (OVER) UNDER RECOVERY OF GAS COSTS
APPLICABLE TO SOUTH DAKOTA
AIR FORCE

	<u>Dk</u>	<u>Amount</u>	<u>Cost per Dk</u>
MARCH 2006-FEBRUARY UNBILLED			
Purchased gas	72,230	\$589,635	\$8.16330
Base cost of gas			7.71200
(Over) Under recovery per dk			0.45130
dk billed			72,680
(Over) Under recovery			\$32,801
MARCH 2006			
Purchased gas	69,723	\$522,736	\$7.49733
Base cost of gas			7.71200
(Over) Under recovery per dk			(0.21467)
dk billed			(38)
(Over) Under recovery			\$8
APRIL 2006-MARCH UNBILLED			
Purchased gas	69,723	\$522,736	\$7.49733
Base cost of gas			6.74900
(Over) Under recovery per dk			0.74833
dk billed			69,761
(Over) Under recovery			\$52,203
APRIL 2006			
Purchased gas	36,732	\$198,546	\$5.40526
Base cost of gas			6.74900
(Over) Under recovery per dk			(1.34374)
dk billed			(1,853)
(Over) Under recovery			\$2,490
MAY 2006-APRIL UNBILLED			
Purchased gas	36,732	\$198,546	\$5.40526
Base cost of gas			6.25500
(Over) Under recovery per dk			(0.84974)
dk billed			38,585
(Over) Under recovery			(\$32,787)
MAY 2006			
Purchased gas	19,604	\$51,921	\$2.64851
Base cost of gas			6.25500
(Over) Under recovery per dk			(3.60649)
dk billed			(632)
(Over) Under recovery			\$2,281
JUNE 2006-MAY UNBILLED			
Purchased gas	19,604	\$51,921	\$2.64849
Base cost of gas			6.25500
(Over) Under recovery per dk			(3.60651)
dk billed			20,236
(Over) Under recovery			(\$72,983)

**MONTANA-DAKOTA UTILITIES CO.
COMPUTATION OF (OVER) UNDER RECOVERY OF GAS COSTS
APPLICABLE TO SOUTH DAKOTA
AIR FORCE**

	<u>Dk</u>	<u>Amount</u>	<u>Cost per Dk</u>
JUNE 2006			
Purchased gas	6,528	(\$11,183)	(\$1.71308)
Base cost of gas			6.25500
(Over) Under recovery per dk			(7.96808)
dk billed			(36)
(Over) Under recovery			\$284
JULY 2006-JUNE UNBILLED			
Purchased gas	6,528	(\$11,183)	(\$1.71308)
Base cost of gas			5.39100
(Over) Under recovery per dk			(7.10408)
dk billed			6,564
(Over) Under recovery			(\$46,630)
JULY 2006			
Purchased gas	4,728	(\$8,013)	(\$1.69480)
Base cost of gas			5.39100
(Over) Under recovery per dk			(7.08580)
dk billed			(11)
(Over) Under recovery			\$77

**MONTANA-DAKOTA UTILITIES CO.
COMPUTATION OF (OVER) / UNDER RECOVERED GAS COST ADJUSTMENT
APPLICABLE TO EAST RIVER
FIRM
TO BE EFFECTIVE OCTOBER 1, 2006 THROUGH APRIL 30, 2007**

(Over)/under recovered gas costs @ July 31, 2006 (\$93,128)

Less: Projected recovery from rates already established

	<u>Volume</u>	<u>Rate</u>	<u>Amount</u>
August	12,990	\$0.115	1,494
September	18,050	0.115	2,076
	<u>31,040</u>		<u>3,570</u>

Additional recovery required (\$96,698)

Projected sales volumes (dk)

October	41,894	
November	86,010	
December	123,060	
January 2007	132,930	
February	104,370	
March	85,280	
April	48,260	
Total		<u><u>621,804</u></u>

Total (over)/under recovered gas cost adjustment
to be effective October 1, 2006 through April 30, 2007 (\$0.156)

MONTANA-DAKOTA UTILITIES CO.
COMPUTATION OF (OVER) / UNDER RECOVERED GAS COST ACCOUNT BALANCE
APPLICABLE TO EAST RIVER
FIRM

	(Over) Under Recovery	Refunds & Other	Interest 1/	Total Net Additions	Actual Dk Sales	Adjustment Per Dk	Total Adjustment Amount	Net Change- Additions less Adjustment	Cumulative Balance
Balance @ February 28, 2006									\$50,340
March	\$26,023	\$0	\$128	\$26,151	104,409	(\$0.232)	(\$24,223)	\$50,374	100,714
April	23,715	0	261	23,976	64,107	(0.232)	(14,873)	38,849	139,563
May	(48,848)	0	370	(48,478)	32,815	0.115	3,568 2/	(52,046)	87,517
June	(98,098)	0	236	(97,862)	18,061	0.115	2,077	(99,939)	(12,422)
July	(79,340)	0	(49)	(79,389)	11,454	0.115	1,317	(80,706)	(93,128)
Balance @ July 31, 2006									<u>(\$93,128)</u>

1/ Interest calculated at 90 day Treasury Note rate.

2/ Reflects 32,224 dk @ \$0.115 and 591 dk @ (\$0.232).

MONTANA-DAKOTA UTILITIES CO.
COMPUTATION OF (OVER) UNDER RECOVERY OF GAS COSTS
APPLICABLE TO EAST RIVER
FIRM

	<u>Dk</u>	<u>Amount</u>	<u>Cost per Dk</u>
MARCH 2006-FEBRUARY UNBILLED			
Purchased gas	100,895	\$946,668	\$9.38270
Base cost of gas			8.92000
(Over) Under recovery per dk			0.46270
dk billed			69,279
(Over) Under recovery			\$32,056
MARCH 2006			
Purchased gas	84,205	\$736,648	\$8.74827
Base cost of gas			8.92000
(Over) Under recovery per dk			(0.17173)
dk billed			35,130
(Over) Under recovery			(\$6,033)
MARCH 2006-FEBRUARY BILLED			
Purchased gas	84,205	\$736,648	\$8.74827
Base cost of gas			10.53100
(Over) Under recovery per dk			(1.78273)
dk billed			0
(Over) Under recovery			\$0
APRIL 2006-MARCH UNBILLED			
Purchased gas	84,205	\$736,648	\$8.74827
Base cost of gas			7.96300
(Over) Under recovery per dk			0.78527
dk billed			49,628
(Over) Under recovery			\$38,971
APRIL 2006			
Purchased gas	34,709	\$249,894	\$7.19969
Base cost of gas			7.96300
(Over) Under recovery per dk			(0.76331)
dk billed			10,085
(Over) Under recovery			(\$7,698)
APRIL 2006-MARCH BILLED			
Purchased gas	34,709	\$249,894	\$7.19969
Base cost of gas			8.92000
(Over) Under recovery per dk			(1.72031)
dk billed			4,394
(Over) Under recovery			(\$7,558)
MAY 2006-APRIL UNBILLED			
Purchased gas	34,709	\$249,894	\$7.19969
Base cost of gas			7.49600
(Over) Under recovery per dk			(0.29631)
dk billed			20,459
(Over) Under recovery			(\$6,062)

MONTANA-DAKOTA UTILITIES CO.
COMPUTATION OF (OVER) UNDER RECOVERY OF GAS COSTS
APPLICABLE TO EAST RIVER
FIRM

	<u>Dk</u>	<u>Amount</u>	<u>Cost per Dk</u>
MAY 2006			
Purchased gas	20,960	\$84,999	\$4.05530
Base cost of gas			7.49600
(Over) Under recovery per dk			(3.44070)
dk billed			11,765
(Over) Under recovery			(\$40,478)
MAY 2006-APRIL BILLED			
Purchased gas	20,960	\$84,999	\$4.05530
Base cost of gas			7.96300
(Over) Under recovery per dk			(3.90770)
dk billed			591
(Over) Under recovery			(\$2,308)
JUNE 2006-MAY UNBILLED			
Purchased gas	20,960	\$84,999	\$4.05530
Base cost of gas			7.49600
(Over) Under recovery per dk			(3.44070)
dk billed			8,743
(Over) Under recovery			(\$30,082)
JUNE 2006			
Purchased gas	9,420	\$1,848	\$0.19618
Base cost of gas			7.49600
(Over) Under recovery per dk			(7.29982)
dk billed			8,977
(Over) Under recovery			(\$65,529)
JUNE 2006-MAY BILLED			
Purchased gas	9,420	\$1,848	\$0.19618
Base cost of gas			7.49600
(Over) Under recovery per dk			(7.29982)
dk billed			341
(Over) Under recovery			(\$2,487)
JULY 2006-JUNE UNBILLED			
Purchased gas	9,420	\$1,848	\$0.19618
Base cost of gas			6.62600
(Over) Under recovery per dk			(6.42982)
dk billed			165
(Over) Under recovery			(\$1,061)
JULY 2006			
Purchased gas	11,276	(\$2,425)	(\$0.21506)
Base cost of gas			6.62600
(Over) Under recovery per dk			(6.84106)
dk billed			10,086
(Over) Under recovery			(\$69,001)

MONTANA-DAKOTA UTILITIES CO.
COMPUTATION OF (OVER) UNDER RECOVERY OF GAS COSTS
APPLICABLE TO EAST RIVER
FIRM

	<u>Dk</u>	<u>Amount</u>	<u>Cost per Dk</u>
JULY 2006-JUNE BILLED			
Purchased gas	11,276	(\$2,425)	(\$0.21506)
Base cost of gas			7.49600
(Over) Under recovery per dk			(7.71106)
dk billed			1,203
(Over) Under recovery			(\$9,278)